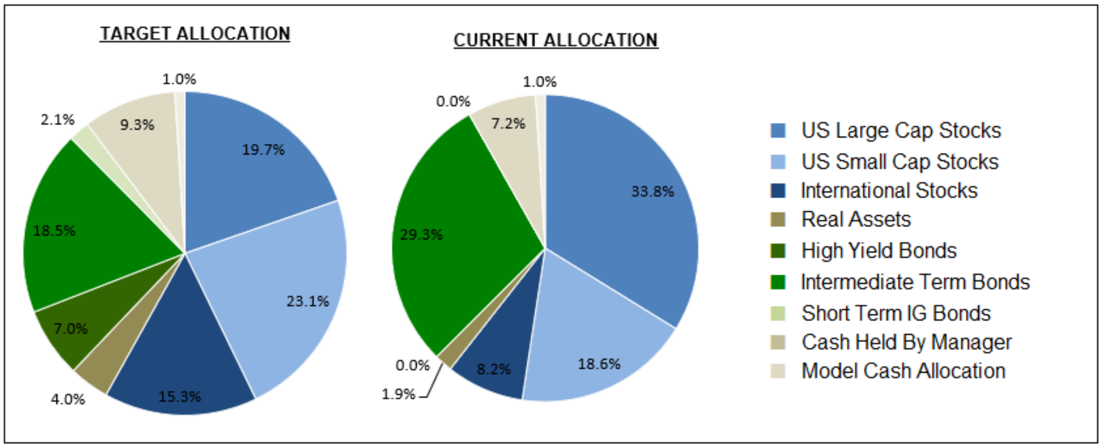
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison to indexes are derived from the CWA Model 5 Portfolio in the Pooled Fund Program; these specific comments will be referred to as "Model 5" throughout.

## PORTFOLIO ANALYSIS

**Overall Goal.** We construct portfolios to generate a return that maximizes the probability that an investor will meet their retirement goals, as opposed to maximizing their asset base (which interjects significant risk). We believe that a value bias, international exposure and general diversification provide the best avenue to meet this objective. Our portfolios have lower volatility†, but can go through periods where they do not keep pace with the U.S. equity markets (the most common benchmark) because of our focus on value, fixed income and international stocks.

The **Moderate Growth Portfolio** is intended to provide a balanced allocation, with a slight overweight to equities over fixed income. The goal is to provide a balance of growth and income with lower volatility than an all-equity portfolio. Our target and current portfolio asset class allocations for Model 5 are listed below.




**ACTUAL VS. TARGET**

Equal Weight Equities

Under Weight International Exposure

Equal Weight Intermediate and Long-Term Fixed Income

High Cash Position

## LARGEST EQUITY AND FIXED INCOME POSITIONS

In normal market environments, Moderate Growth has a target allocation of 60% stocks & 40% bonds, with approximately 20% of the portfolio in international equities and fixed income. So, the portfolio is a global one – with a U.S. tilt. By design, the holdings are broadly diversified by location/country, by company size, by credit quality/yield and by maturity/duration. The investment managers have a degree of flexibility which allows them to respond to different market environments, and our equity managers are currently holding a large amount of cash (given current valuations).

*† as of 09/30/2023, the 10-year volatility (standard deviation) of Model 5 is 9.7%, versus 14.9% for the S&P 500 Index.*

## PERFORMANCE

The Moderate Growth portfolios in the Pooled Fund Program and the Unified Managed Account Program have slightly different investments, costs and thus returns. Accordingly, we direct you to your account statement for your individual performance.

In September, Model 5 (net of fees and expenses) outperformed compared to the Global 60/40 Index, outperformed compared to the U.S. 60/40 Index, and market performed compared to the S&P Moderate Growth which posted the following returns:

| PERFORMANCE | SEPT | COMMENTS |
|---|---|---|
| Global 60/40 Benchmark Index[(2)] | -3.69% | Equity and bond markets were both weak during August, as the Fed reiterated its "higher for longer" stance and long bond yields rose accordingly. |
| U.S. 60/40 Benchmark Index[(3)] | -3.88% | |
| S&P Moderate Growth Index[(4)] | -3.29% | |

(1) "Market Perform" means within a range of +10 bps to -10 bps of the applicable index for the month (or +/- 8 bps per month for YTD performance); "Outperform" means more than +10 bps for the month (or more than +8 bps per month for YTD performance); "Underperform" means more than -10 bps for the month (or more than -8 bps per month for YTD performance). **Please note performance comparison comments are based upon Model 5 Pooled Fund Program data. There are inherent limitations in the use of model performance – please read the Model Disclosure found on page 6. Investors should consult their individual custodial statement for actual performance of individual portfolios. Actual performance comparisons may differ from model comparisons.**
(2) Global 60/40 Benchmark is 60% MSCI ACWI Index & 40% Barclays Global Aggregate Bond Index.
(3) US 60/40 Benchmark is 60% S&P 500 Index & 40% Barclays U.S. Aggregate Bond Index.
(4) S&P Moderate Growth Index is 50% S&P Target Risk Moderate Index & 50% S&P Target Risk Growth Index.

## MARKET PERFORMANCE

### Equities

| PERFORMANCE | SEPT | MULTIPLE | COMMENTS |
|---|---|---|---|
| U.S. Equities[(5)] | -4.76% | 19.9X | Broader markets were lower, led by small and mid caps. |
| International Developed[(6)] | -3.38% | 12.3X | International developed outperformed domestic equities during September. |
| Emerging Markets[(7)] | -2.61% | 10.1X | EM outperformed after lagging behind the past several months. EM will likely remain under pressure as long as the U.S. dollar remains strong globally. |

(5) U.S. Equities are represented by the Russell 3000 Index.
(6) International Developed is the MSCI EAFE Index.
(7) Emerging Markets is the MSCI EM Index.

### Fixed Income

| PERFORMANCE | SEPT | SPREAD OVER UST 10 YEAR | COMMENTS |
|---|---|---|---|
| U.S. Treasuries (Medium Duration)(8) | -3.11% | - | The 10 year yield has broken out to the upside to a combination of higher for longer hawkish rhetoric from the Fed, Chinese demand for Treasuries waning as they fight their own economic crisis, and an oversupply of Treasuries hitting the market due to a combination of quantitative tightening and the deficit. |
| U.S. Treasuries (Longer Duration)(9) | -7.90% | 0.33% | |
| Global Fixed Income(10) | -2.92% | -0.31% | |
| Emerging Fixed Income(11) | -1.79% | 3.63% | |
| High Yield(12) | -1.18% | 4.43% | |

(8) U.S. Treasuries (7-10 Years), represented by the Barclays U.S.T 7-10 Yr Total Return Index
(9) U.S. Treasuries (20+ Years), represented by the Barclays U.S.T 20+ Yr Total Return Index
(10) Barclays Global Aggregate Bond Index.
(11) Barclays Emerging Markets EMEA Total Return
(12) Barclays U.S. Corporate High Yield Index.

**Commodities and Real Assets**. The Model 5 portfolios do not have significant exposure to commodities, except indirectly. However, commodities and real assets (real estate) provide a good sense of global demand (in the case of industrial commodities) or fear (gold).

| PERFORMANCE | SEPT | TREND | COMMENTS |
|---|---|---|---|
| Energy(13) | 7.82% | UP | Oil continues to bounce due to tight supply and is threatening to put continued pressure on an already weakened average U.S. consumer. |
| Real Estate(14) | -7.28% | DOWN | This was lower in September and will likely remain in a downtrend due to rate pressure and a looming CRE crisis. |
| Industrial Metals(15) | 1.52% | - | Industrial metals bounced in September. |
| Gold(16) | -4.76% | DOWN | Gold continues to be weak due to U.S. Dollar strength and is in a downtrend. |

(13) S&P GSCI Energy Total Return Index.
(14) Dow Jones U.S. Real Estate Index.
(15) S&P GSCI Industrial Metals Total Return Index.
(16) SPDR Gold Shares (GLD).

**Market Comments**

For this month's letter, we are including the text from Jeff Gundlach, one of our fixed income managers and the CEO and CIO of DoubleLine. He succinctly sums up the bond market in a way that is digestible, and we do not feel like we need to reinvent the wheel.

DoubleLine®

# Jeffrey Gundlach – Thought Leadership

Views as of September 14, 2023 | Client Use Only

"Peace, Love & Understanding" was my webcast title. Let's start with "Understanding" and finish with "Love."

"Understanding" the massive budget deficit and increasing interest rates on the national debt should scare every American. The budget deficit has risen from 3.5% to 7.5% of gross domestic product, which is near the level seen at the depths of the Global Financial Crisis. Meanwhile, the interest rate on the national debt could rise to 5.5% over time, given the current level of the federal funds rate. This would increase the interest expense to $1.8 trillion annually, more than double the current defense budget. In just over two years, the interest expense has risen from $500 billion to near $900 billion. This interest expense already is far more than our entire defense budget. Should the Federal Reserve continue to raise rates, which may happen, or should the national debt grow, which is certain to happen, this problem will get much worse. The future of the U.S. dollar and possibly out of control inflation depends on getting the budget and spending under control.

One pressure on the bond market has been increased issuance of Treasuries due to deferral of 2022 tax payments. People have adjusted their lifestyle due to these deferments as well as loan payment holidays and the government giveaways the past few years. Not having to pay your rent, student loans, taxes in some states, it all frees up money to spend on lifestyle, increasing credit card balances. With debt and tax holidays ending, consumers will have to ramp down their lifestyles. This could be a positive for the bond market because we won't have so much net supply and perhaps a negative economic consequence that could potentially lead to a bond rally in the next six months or so.

"Peace" is an overstatement for what's going on with inflation, but at least it's gotten better. The Consumer Price Index (CPI) peaked at 9.1%, and it's dropped to 3.7%. We believe it's going to stay between 3.5% to 4% through year-end. It could go back down to around 2.5% later next year depending on energy prices, which have been rising. But the owners' equivalent rent component is headed lower so we should have some relief coming in CPI. Import/export prices, my favorite inflation indicator, got up to about 15% but have since plummeted. Both are now negative year-over-year. So deflation is appearing in places, which is interesting.

On the negative side, the supercore reading of the Personal Consumption Expenditures Price Index has not improved at all in the last two years, and this is the real issue for the Fed. It's at 4.7%, and the Fed needs this to go down to at least below 3.5% in order to stop raising rates any further. The Leading Economic Index has been full-on recessionary for a long time now, in the negative 7.5% range, but we have not had a recession yet. The unemployment rate versus its 12-month moving average looks like it's going to cross over definitively, which historically coincides with a coming recession. And once you get a crossover of 50 basis points (bps) on this metric, historically we've always gone into a recession. It's at 40 bps now, so not much further to go. Based upon this trend, I expect this crossover and a recession likely to come in the first half of 2024.

"Love" is about market opportunities. We like long-term Treasury bonds for the short-term trade going into a recession. The 30-year U.S. Treasury yield downtrend of the past four decades has completely reversed, skyrocketing nearly 400 bps in under two years. This means from the peak price through today there's been about a 50% drawdown in the long bond. Which means now there is potential for the long bond to go up in price. We also like Agency mortgages and some commercial mortgage-backed securities (CMBS) subsectors as well. Mortgages have no refinancing risk, with newer mortgage rates being so much higher than the average of existing loans. You're seeing positive convexity for the first time in the history of the MBS market. Versus Treasuries, mortgages have less risk than ever while offering the highest spreads in years. Versus Investment Grade (IG) corporates, mortgages are cheaper on a valuation basis. On a risk-adjusted basis, the MBS sector is incredibly cheap. CMBS has been the most challenged sector, but it's a bond picker's market. With BBB spreads at about 900 bps, the market is anticipating defaults and correctly so. But you can still get AAA CMBS spreads of 141 bps, much wider than IG bonds, which don't have that type of rating.

# Jeffrey Gundlach – Thought Leadership

Views as of September 14, 2023 | Client Use Only

## Thoughts on the Markets

### U.S. Dollar

The U.S. Dollar (DXY) Index peaked near $115 when the euro weakened. Now the DXY has found a home near $105 after bottoming this year around $100. The dollar will fall in the next recession and not by a small amount.

### Credit

**Investment Grade** – Spreads have come in to around 120 bps, so not rich but not cheap either. You can find better value in Agency mortgages, pockets of CMBS and collateralized loan obligations.

**High Yield** – Not really rich and certainly not cheap. Spreads are down from 600 bps to 374 bps. You can find better spreads in structured credit.

**Mortgages** – Attractive. No refinancing risk. Positive convexity for the first time in the market's history. You have one of the best rewards and least risks available today.

**CMBS** – As mentioned, it's a picker's market with pockets of opportunity along the capital structure.

### Stocks

It's hard to love equities when the risk premium is the lowest in 17 years. Earnings haven't done much this year. Consensus expectations are for earnings to increase 11% next year. I'll take the under given that I believe we could see a recession in the first half of 2024. I would own foreign equities over U.S.

### Emerging Markets (EM) Bonds

With the U.S. dollar broadly remaining strong, EM currencies have been particularly weak. We would want to see the J.P. Morgan EM Currency Index rally above its 200-day moving average versus the dollar to get bullish on EM. That has not happened yet.

### Commodities

The Bloomberg Commodity Index is sitting around its 200-day moving average but hasn't crossed over with any meaningful force. Oil prices might be the catalyst for commodities to break out. I'm starting to get a little more bullish on the sector in the short term.

**Oil** – WTI oil prices have been going up and are now over $90 a barrel. Big problem for the Fed and economy.

### Gold

Has been range-bound between $1,800 and $2,000 levels. I would want to see gold prove itself by definitively crossing above its 200-day moving average to get bullish.

***For questions, or to request additional information, please contact your CWA Financial Planner***

**DISCLOSURES**

**PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE MARKET RETURNS.**

*Cain Watters is a Registered Investment Advisor. Request Form ADV Part 2A for a complete description of Cain Watters Advisors' investment advisory services. Diversification does not ensure a profit and may not protect against loss in declining markets. No inference should be drawn that managed accounts will be profitable in the future or that the Manager will be able to achieve its objectives. Investing involves risk and the possibility of loss, including a permanent loss of principal.*

Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses. All investments and strategies have the potential for profit or loss. Different types of investments involve higher and lower levels of risk. Historical performance returns for investment indexes and/or categories, usually do not deduct transaction and/or custodial charges or an advisory fee, which would decrease historical performance results. There are no assurances that a portfolio will match or exceed any specific benchmark.

*This commentary contains the opinions of the CWA Investment Committee at the time of publication and is subject to change. Market and economic factors can change rapidly, producing materially different results. This update is intended for clients currently invested in CWA Recommended Investment Programs. This is not intended to be personalized investment advice. This does not take into account a particular investor's financial objectives or risk tolerances. Any specific mention of securities is for informational purposes only and is not intended as a recommendation or solicitation to purchase.*

*CWA Model 5 Moderate Growth Pooled Fund Program: The target allocation and portfolio data used throughout this presentation is for the CWA Model 5 recommended for participants in the Pooled Fund Program. This Model is the most common recommendation and is used here to illustrate the CWA methodology. Other CWA Recommended Investment Program models will vary in asset allocation and underlying manager and/or security selection. Clients should discuss these models and programs with their planner prior to selection.*

***The CAPE ratio is a valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle. The ratio is generally applied to broad equity indices to assess whether the market is undervalued or overvalued. While the CAPE ratio is a popular and widely-followed measure, several leading industry practitioners have called into question its utility as a predictor of future stock market returns. The CAPE ratio, an acronym for Cyclically Adjusted P/E (i.e. Price-Earnings) ratio, was popularized by Yale University professor Robert Shiller. It is also known as the Shiller P/E ratio.*

+*Statements relating to Value outperforming Growth are based upon the data of the Fama-French 3-Factor Model. A pioneering study by renowned academics, Eugene Fama and Ken French, suggesting that three risk factors: market (beta), size (market capitalization) and price (book/market value) dimensions explain 96% of historical equity performance.*

***Model Performance Disclosure: Model performance is NOT an indicator of future or actual results. Performance does not represent the returns that any individual investor actually received. Cain Watters Investors may incur a loss.*** *Cain Watters Models contain allocations to several different common pooled trust funds. Each individual pooled trust fund has a defined investment strategy; usually designed around a specific asset class. Investment managers and their respective strategies are chosen to meet each of the pooled funds' objectives. Investors in the models pay a monthly asset based trust fee, based on their average investment balance during the month. Model performance is calculated using the reported net asset value of each individual pooled fund. Performance for the individual funds is then weighted according to the model target allocation. Model performance includes the reinvestment of dividends and interest. The annual trust fee of 0.65% is subtracted from gross returns on a pro-rated basis of 0.0541% per month; and includes trust fees and investment advisory fees. For time periods prior to July 1, 2016 an annual trust fee of 1.05% or 0.0875% per month was used. Model performance has inherent limitations in that it does not reflect the effects of significant cash flows, or take into account actual client asset allocation that may differ materially from the target allocation due to rebalancing policies and changes in market values. This model performance information is provided for illustrative purposes only. Cain Watters Model investors may experience materially different returns.*

*Use of Comparison Benchmark or Index: Indexes cannot be invested in directly. Index performance and statistics are provided for illustrative or comparison purposes and are chosen as commonly accepted representations of the performance of a particular segment of the market.*